



Public Utility Commission of Texas

7800 Shoal Creek Boulevard
Austin, Texas 78757-1098
512/458-0100 • (Fax) 458-8340

Robert W. Gee
Chairman

Sarah Goodfriend
Commissioner

Pat Wood, III
Commissioner

June 26, 1995

RECEIVED

JUN 27 1995

DOCKET FILE COPY ORIGINAL

FCC MAIL ROOM

Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RE: Notice of Proposed Rulemaking, In the Matter of: End User Common Line Charges,
CC Docket No. 95-72

Dear Secretary:

Enclosed for filing are an original and nine copies of the Public Utility Commission of Texas' comments in response to the Notice of Proposed Rulemaking In the Matter of: End User Common Line Charges, CC Docket No. 95-72.

Thank you for your assistance.

Sincerely,

Rowland L. Curry, P.E.
Director
Telephone Utility Analysis Division

Enclosures

No. of Copies rec'd 079
List ABCDE



Printed on recycled paper

An Equal Opportunity Employer

ELECTRIC (512) 458-0109
ADMINISTRATION (512) 458-0188
CENTRAL RECORDS (512) 458-0181
GENERAL COUNSEL (512) 458-0282

EXECUTIVE DIRECTOR (512) 458-0141
PUBLIC INFORMATION (512) 458-0388
CONSUMER AFFAIRS (512) 458-0256
HUMAN RESOURCES (512) 458-0190
TTY (512) 458-0221

HEARINGS (512) 458-0286
TELEPHONE (512) 458-0158
FINANCIAL REVIEW (512) 458-0328
INFORMATION SYSTEMS (512) 458-0200

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

RECEIVED

JUN 27 1995

FCC MAIL ROOM

In the Matter of

§

§

End User Common

§

CC Docket No. 95-72

Line Charges

§

§

DOCKET FILE COPY ORIGINAL

**COMMENTS OF
THE PUBLIC UTILITY COMMISSION OF TEXAS**

I. INTRODUCTION

1. On May 30, 1995, the Federal Communications Commission ("FCC" or "Commission") released its Notice of Proposed Rulemaking in this proceeding.¹

2. The FCC is seeking comment on the proper application of Subscriber Line Charges ("SLCs") to Integrated Services Digital Network ("ISDN") service provided to residential and business customers as well as to other services that permit the provision of multiple derived channels over a single facility. The FCC believes that the consideration of this issue must take into account competitive developments in the interstate access market, the need to ensure fair competitive ground rules, and the

¹ Notice of Proposed Rulemaking, In the Matter of End User Common Line Charges, CC Docket No. 95-72 ("NPRM").

need to preserve universal service in a changing environment.² The FCC has asked for comments by June 29, 1995 and reply comments by July 14, 1995.

3. The following comments represent the views of the Public Utility Commission of Texas ("PUCT").

II. PUCT SUPPORTS DEPLOYMENT AND PROVISION OF ISDN

4. The PUCT strongly supports the deployment and provision of ISDN. In January, 1995, the PUCT adopted its ISDN Rule.³ The PUCT found that ISDN is an alternative to "plain old telephone service," and, as such, ISDN should be made available to customers at a reasonable price, should be as accessible as possible to customers who want ISDN, should meet minimum standards of quality and consistency, and should be provided in such a manner that permits the local exchange carrier ("LEC") a reasonable opportunity to earn a reasonable return on invested capital. Further, the PUCT found that ISDN is not a replacement for "plain old telephone service" at this time but that ISDN provides the public switched network with end-to-end digital connectivity. The provisions of the rule establish the minimum criteria for the provision of ISDN in Texas.⁴

² NPRM, para. 15.

³ PUCT Substantive Rule §23.69, Integrated Services Digital Network (ISDN); PUCT Project No. 12756.

⁴ PUCT Substantive Rule §23.69(a).

5. In adopting the rule, Chairman Robert W. Gee stated, "I think that we wish to send a clear message to the world, if you will, that we believe that the deployment of this technology is integral and is a key part to the telecommunications infrastructure for the State of Texas."⁵

III. THE FCC'S ANALYTICAL FRAMEWORK

6. The FCC notes that this rulemaking proceeding gives the Commission an opportunity to reexamine existing rules and make changes in light of new technologies and services and that the Commission must be careful to avoid erecting regulatory barriers to the development of beneficial new technologies. At the same time, the FCC believes that its rules should not be amended to favor new technologies and services simply because they are new and that any change in regulatory treatment must have a sound basis in public policy.⁶

7. The FCC further believes that it is desirable to avoid measures that could reduce the level of nontraffic sensitive ("NTS") local loop costs now recovered through flat charges (i.e., the SLC). The Commission notes that any reduction in SLC revenues will tend to increase interstate toll rates, because lower SLC revenues will cause LECs to seek to recover additional revenues through the per minute carrier common line ("CCL") charge. The FCC also believes policies that would appear to

⁵ PUCT Final Order Meeting, January 18, 1995, Transcript, p. 203.

⁶ NPRM, para. 17.

reduce dramatically the SLC charges to large business customers, but not to residential customers, must be carefully examined.⁷

8. The FCC believes, that in order to ensure fair competition and preserve universal service, the resolution of the issues in this proceeding should take into account competitive developments in the interstate access market and the accompanying need to identify and reduce unnecessary support flows.⁸ The FCC is concerned that an increase in the per minute CCL charge paid by interexchange carriers (“IXCs”) may create incentives for high volume toll customers to use competitors even when the LEC would be the most efficient access provider. In the long run, this uneconomic bypass could threaten to undermine the support flows that foster universal service.⁹

IV. PUCT RESPONSE

A. Introduction

9. The PUCT agrees that the analytical framework set forth by the FCC should be used to guide the resolution of this issues raised in this rulemaking. The PUCT summarizes this analytical framework as follows: (1) Current regulatory treatments may change due to the introduction of new technologies and services, and the changes must have a sound public policy basis.¹⁰ (2) Changes in current

⁷ NPRM, para. 18.

⁸ NPRM, para. 19.

⁹ NPRM, para. 20.

¹⁰ NPRM, para. 17.

regulatory treatments that could increase the CCL rate or that reduce the charges to large business customers, but not the charges to residential customers, must be carefully examined.¹¹ (3) Changes in current regulatory treatments must ensure fair competition and preserve universal service.¹²

10. The PUCT believes that the FCC's rules must be modified to incorporate the policy goals outlined in the FCC's framework.

B. Current FCC Rules Must Be Modified

11. The existing FCC rules require that the LECs charge a SLC for each derived channel in the case of ISDN and other similar services. The PUCT agrees with the FCC that because the current rules increase the customer's total price for ISDN, that they will tend to reduce demand for such services.¹³ Based upon the FCC's framework and the PUCT's belief that the deployment of ISDN is integral to the telecommunications infrastructure, the PUCT believes that the current regulatory treatments mandated by the FCC's rules must be modified.

C. PUCT Recommendation

12. The PUCT recommends that the FCC adopt an option that represents a middle ground between the per facility approach, under which a customer would pay a single SLC for each BRI or PRI, and the per derived channel approach, under which a

¹¹ NPRM, para. 18.

¹² NPRM, para. 19.

¹³ NPRM, para. 31.

customer would pay a SLC for each derived, or B, channel. The PUCT recommends that SLCs be charged based on a ratio of the average LEC cost of providing a derived channel service, including line or trunk cards, to the average LEC cost of providing an ordinary local loop or T-1 facility.¹⁴ As explained below, the PUCT believes that this option provides the appropriate balancing of the policy goals outlined in the FCC's framework.

13. The PUCT believes changing the regulatory treatment of this new technology has a sound basis in public policy. As discussed above, the PUCT believes that ISDN is an alternative to "plain old telephone service" and provides the network with end-to-end digital connectivity. Also, this technology can facilitate access to the benefits of the National Information Infrastructure. The PUCT believes that demand for ISDN should be encouraged. For these public policy reasons, the PUCT believes that it is appropriate to reduce the current SLCs to ISDN customers, thus addressing the concern that the FCC's rules may tend to reduce the demand for ISDN.

14. The FCC anticipates that this approach would produce SLC revenues for ISDN that are higher than those produced by the per facility approach, but less than those produced by the per derived channel approach,¹⁵ because this option would calculate the SLCs to be charged based upon a ratio of the average cost of providing ISDN to the average cost of providing an ordinary local loop or T-1 facility. While

¹⁴ NPRM, para. 27.

¹⁵ NPRM, para. 28.

the PUCT recognizes that the necessary cost data that would result in the recommended ratio must be collected and analyzed, it does not see this as an insurmountable drawback.¹⁶ The PUCT believes that there may be ways of achieving the ratio, including the use of a surrogate.

15. Therefore, this option would appear not to reduce SLC revenues in a manner that would have a significant potential to increase CCL rates. Also, because this approach allocates the SLC based upon a cost ratio, it would appear not to result in a dramatic reduction in the SLC charges to large business customers as compared to the reduction in SLC charges to residential customers. Lastly, because this option appears not to put significant upward pressure on CCL rates, it would not promote uneconomic bypass of the LEC network, thus helping ensure fair competition and preserving universal service.

V. CONCLUSION

16. In conclusion, the PUCT strongly supports the deployment and provision of ISDN, and the PUCT believes that the deployment of ISDN is integral to the telecommunications infrastructure. The PUCT believes that the current regulatory treatments mandated by the FCC's rules must be modified because the current rules increase the customer's total price for ISDN, and, therefore, tend to reduce the demand for ISDN. The PUCT recommends SLCs be charged based on a ratio of the

¹⁶ NPRM, fn. 40.

average LEC cost of providing a derived channel service, including line or trunk cards, to the average LEC cost of providing an ordinary local loop or T-1 facility. The PUCT believes that this option provides the appropriate balancing of the policy goals outlined in the FCC's framework.

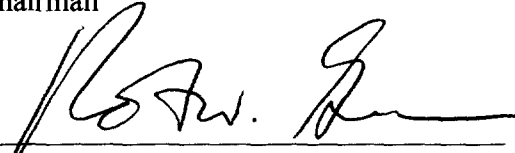
Respectfully submitted,

Public Utility Commission of Texas
7800 Shoal Creek Blvd.
Austin, Texas 78757

June 22, 1995



Pat Wood, III
Chairman



Robert W. Gee
Commissioner